

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS  
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AGENCY FOR INTERNATIONAL  
DEVELOPMENT  
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WEST AFRICA

**MEMORANDUM FOR REDSO/WCA DIRECTOR, Willard J. Pearson**

*Lee Jewell III*  
**FROM:** Lee Jewell III, Acting RIG/Dakar

**SUBJECT:** Audit of REDSO/WCA's Review and Certification of Unliquidated Obligations for Project and Non-project Assistance, Report No. 7-624-98-001-F

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have included them as Appendix II.

The report contains one recommendation with two parts. REDSO/WCA stated that the entire amount of \$88,366.07 of unliquidated obligations identified in recommendation No. 1.1 has been deobligated, the submission of supporting documentation will complete the planned action. Recommendation No. 1.2 has been partially addressed by the assignment of specific financial oversight responsibilities for all REDSO/WCA activities and will be completed by the issuance of a mission order. RIG/Dakar believes that REDSO/WCA has made a Management Decision to address Recommendation No. 1. Please notify the Bureau for Management's Office of Management Planning and Innovation, Management Innovation and Control Division (M/MPI/MIC) when the planned actions have been completed.

I appreciate the cooperation and assistance extended to my staff during the audit.

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**Background**

This audit is part of the Office of the Inspector General's (OIG) USAID-wide audit of USAID's obligation of funds for project and non-project assistance as of September 30, 1996. The OIG's Division of Performance Audits (IG/A/PA) is leading this worldwide effort, with the assistance of auditors from all OIG offices of the Regional Inspectors General.

The audit does not cover obligations funded with U.S.-owned local currency, obligations for disaster relief, or obligations maintained by USAID for the Trade and Development Agency.

IG/A/PA randomly selected USAID sites for detailed audit work and also determined the number of unliquidated obligations to be randomly selected and reviewed at each site. A total of 19 sites (USAID/Washington and 18 missions) were selected for review. The regional activities of the Regional Economic Development Support Office/West and Central Africa (REDSO/WCA) was one of the missions randomly selected for review.

Prior to this audit, Congress developed statutory requirements, Section 1311 of the Supplemental Appropriations Act of 1955, now codified as title 31, United States Code, Section 1501(a), [31 U.S.C. 1501(a)] because Federal agencies were incorrectly recording obligations and could not accurately determine the agency's future monetary requirements.

Mission records indicate that, as of September 30, 1996, REDSO/WCA had 90 unliquidated obligations related to regionally managed activities for project and non-project assistance with balances totalling \$28,243,384. This amount does not include any of the client missions for which REDSO/WCA has accounting responsibilities.

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## **Audit Objective**

The USAID-wide audit was designed to answer the following question:

Did REDSO/WCA review and certify its unliquidated obligations for project and non-project assistance in accordance with U.S. laws and regulations and USAID policies and procedures?

To test the effectiveness of USAID's internal control systems related to this objective, we, among other steps, reviewed 15 randomly selected obligations to determine whether the obligations were valid when recorded and whether their unliquidated balances complied with USAID funding guidance.

Appendix I contains a discussion of the scope and methodology for audit work conducted at REDSO/WCA.

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## **Audit Findings**

### **Did REDSO/WCA review and certify its unliquidated obligations for project and non-project assistance in accordance with U.S. laws and regulations and USAID policies and procedures?**

For the items tested, REDSO/WCA generally complied with U.S. laws and generally complied with U.S. regulations and USAID policies and procedures in reviewing and certifying its unliquidated obligations for project assistance<sup>1</sup>.

We found that the Mission had a system for the review of unliquidated obligations; however, the system in place did not always insure that obligations were deobligated in a timely manner. We observed that certain Mission procedures related to the review of obligations for project assistance were not always being followed and when these reviews were conducted they were not as complete or timely as required.

We conducted various tests for the validity of the obligations contained in our sample and found the various instruments supporting the obligations to be in accordance with applicable laws, regulations and procedures.

### **Some Obligations Had Excessive Balances**

Mission guidance requires that project officers ensure timely implementation of USAID funds and reprogramming of residual obligation balances and that project managers advise the Controller when funds are no longer required. At REDSO/WCA we identified four unliquidated obligations with excessive balances of approximately \$88,000. In addition, six other obligations of approximately \$2.3 million could not be analyzed because of a lack of financial data in the project

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<sup>1</sup>None of the items tested were non-project assistance.

files. Excessive balances occurred because REDSO/WCA had not taken timely action to deobligate balances on terminated contracts or other obligations with no activity for several years. Financial data was lacking because specific individuals were not always identified to manage project activities and some individuals did not fully understand their responsibilities in conducting accrual reviews. As a result, excessive funds were not deobligated in a timely manner and put to better use.

**Recommendation No 1: We recommend that the Regional Economic Development Support Office for West and Central Africa:**

- 1.1 deobligate or justify the retention of \$88,366.07 in unliquidated balances and**
- 1.2 assign specific financial oversight responsibilities to a project officer for every project and include these responsibilities in the work objectives of the respective project officers.**

REDSO/WCA established Mission Order, Number 93/001, Performance of Section 1311 Reviews for Operating Expenses and Project Obligations, dated February 26, 1993, which sets forth policy on the performance of Section 1311 reviews for operating expenses, project obligations, earmarks and commitments. This guidance requires that obligations be supported by documentary evidence, and notes that each Federal Agency provide an annual report to the President and the U.S. Treasury identifying the amount of the unliquidated obligations and a certification that these funds do not exceed the requirements for which the funds were obligated. This Mission order also requires project managers to advise the Controller when funds are no longer required.

USAID Handbook 19, also states that when all the goods or services under the obligating document have been received, any unliquidated balance in excess of the amount required to cover goods delivered and services performed for which payment has not been made is deobligated. Mission Order 92/012 states that project managers are responsible for regularly reviewing obligations, earmarks and commitments for validity and should report to the Controller when funds are no longer required. Their responsibilities also include ensuring timely reprogramming of residual balances and estimating quarterly accruals.

We reviewed 28 obligations with unliquidated balances of \$7.7 million at September 30, 1996. As noted in the following table, four obligations, totalling approximately \$88,000, had unliquidated balances which were excessive; six obligations, totalling approximately \$5.3 million, could not be analyzed; and seventeen obligations with balances of approximately \$2.2 million, were reasonable.

SUMMARY OF OBLIGATIONS REVIEWED  
(Balances as of September 30, 1996)  
(\$000)

Designation	No.	Obligated Amount	Excess Obligated Amount	Total
Deobligation/Justification	4	-		\$88
Inadequate Data	6	\$5,339 <sup>2</sup>	-	5,339
Reasonable Balances	<u>18</u>	<u>2,234</u>	<u>-</u>	<u>2,234</u>
Total Obligations Reviewed	28	\$7,573	\$88	\$7,661

Two obligations totalling \$87,379, are recommended for deobligation since the services have been received:

- One obligation was for a personal service contract (PSC) for which the period of performance ended on May 30, 1996. (Appendix III, Item 23)
- One obligation was for a contract for research studies for which the final invoice was received on June 11, 1996. (Appendix III, Item 22)

For the personal services contract, the deobligation was not made because the project office had not performed an analysis to determine the reasonableness of

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<sup>2</sup>Due to disbursements the balance at 7/30/97 is \$2.3 million.

the unliquidated balance. For the research contract, the project office had identified this balance for deobligation, but had not informed the Controller's office to do so.

Two other obligations, totalling \$987, had no activity for several years:

- One concerns a letter of credit which has been inactive since 1993. (Appendix III, Item 12)
- The other relates to a travel authorization with no activity since 1994. (Appendix III, Item 25)

In order to deobligate these two balances documentation is required from other USAID offices. Although the Mission has made some efforts to address this situation, the other USAID offices have not been responsive. We believe that a formal recommendation to deobligate or justify these balances is necessary.

Moreover, six other obligations that we reviewed, totalling approximately \$5.3 million, could not be analyzed due to an absence of financial information. These six obligations are part of the \$20 million African Development Bank (ADB) Project that was completed on April 25, 1997. At the time of our audit field work, July 1997, \$3 million of the \$5.3 million obligated at September 30, 1996 had been liquidated. However, for the remaining \$2.3 million the Mission did not have an estimate of recipient expenses which had already been incurred but not yet submitted. The project files did not contain financial information, accrual calculations, or pipeline analyses to estimate the amount of project expenses. The Budget Analysis and Accounting office was not provided financial information on this project although such information had been requested of the project office as part of the accrual review process. (Appendix III, Items 1,2,3,4,5 and 6). Because this project has ended and the terminal disbursement date is January 1998, we are not making a recommendation to determine the reasonableness of the \$2.3 million balance.

These conditions were caused by a lack of identification of individuals having direct responsibility for specific project activities and uncertainty of what these responsibilities include. We found that REDSO/WCA had not designated a responsible officer for all projects and that many of the existing assignments were outdated and no longer applicable. We were told that not all project officers were

aware of the procedures for conducting 1311 reviews and therefore, were not reviewing obligations and commitments under their respective projects to determine the reasonableness of the unliquidated balances. Consequently, persons responsible for project oversight were unaware of the importance of the requirement for timely completion of the accruals and timely deobligation of unliquidated balances.

As a result, approximately \$88,000 in excess funds related to terminated contracts and long inactive obligations was not deobligated in a timely manner and available for better use. Furthermore, the reasonableness of \$2.3 million of unliquidated obligations related to a completed project could not be determined and any unnecessary balance deobligated.

Accordingly, we conclude that REDSO/WCA should deobligate or justify the retention of the unliquidated balances identified and designate a specific person for the financial oversight responsibility for every project for which REDSO/WCA has accounting responsibilities. Project officers should be made aware of the relevance of the 1311 reviews and the importance of timely submission of the quarterly accruals. These requirements where applicable should be included in their work objectives.

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## **Management Comments and Our Evaluation**

REDSO/WCA concurred with the conclusions of our audit report and has taken action on the report's recommendations. REDSO/WCA stated that \$72,631.23 of the \$88,366.07 of unliquidated obligations identified in recommendation No. 1.1 has been liquidated and the remaining \$15,734.84 is in the process of being liquidated. The word "liquidated" is generally used to indicate that the amount has been "expended"; whereas, "deobligate" indicates a downward adjustment of previously recorded obligations. We requested REDSO/WCA to clarify their response and received affirmation that the entire balance of \$88,336.07 has been deobligated. Thus, REDSO/WCA has made a Management Decision and final action will take place when documentation supporting the deobligation has been provided. REDSO/WCA has also made a Management Decision for Recommendation No. 1.2 by the assigning of specific financial oversight responsibilities to specific individuals for all REDSO/WCA activities. Final action will take place when a mission order is issued.

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The full text of management's comments on our report are attached as Appendix II.

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## **SCOPE AND METHODOLOGY**

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### **Scope**

This audit is part of the Office of the Inspector General's (OIG) USAID-wide review of the USAID's obligations for project and non-project assistance. The USAID-wide audit is limited to obligations for project and non-project assistance which had unliquidated balances on September 30, 1996. It does not cover obligations funded with U.S.-owned local currency, obligations for disaster relief, or obligations maintained by USAID for the Trade and Development Agency.

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### **Methodology**

The Regional Inspector General in Dakar audited REDSO/WCA's review and certification of unliquidated obligations for project and non-project assistance, as of September 30, 1996. The audit was conducted at REDSO/WCA, from July 15 through August 8, 1997, and was performed in accordance with generally accepted government auditing standards.

At the request of IG/A/PA, REDSO/WCA compiled a list of its obligations for project assistance which had unliquidated balances on September 30, 1996. The unliquidated balances on this list totalled \$28,243,384. Using statistical sampling techniques 15 obligations totalling \$3,093,310 were selected for audit testing. In order to determine the reasonableness of the unliquidated balances for the original 15 sample obligations, we reviewed an additional 13 related obligations totalling \$4,567,435. Thus we reviewed 28 obligations with unliquidated balances of \$7,660,745. Random sampling will allow the OIG to make USAID-wide projections based on field work performed at a limited number of sites.

While conducting our fieldwork at REDSO/WCA, we also performed limited tests of compliance with USAID and Mission procedures related to Section 1311 reviews and pipeline reviews of obligations for project and non-project assistance. Because the accuracy and completeness of the Mission's list was crucial to our ability to make USAID-wide projections, we interviewed appropriate mission staff about their methodology in preparing the list and reconciled the list and its totals to other mission reports.

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**APPENDIX I****Page 2 of 2**

Each obligation was reviewed to determine whether it was valid in accordance with the provisions of 31 U.S.C. 1501(a) and decisions of the U.S. General Accounting Office. When amounts were questioned, we interviewed relevant activity managers. The results of our field work at REDSO/WCA will be consolidated with the results of field work conducted at USAID/Washington and other missions and used to make USAID-wide projections.

We also reviewed the unliquidated balance of each selected obligation to determine whether, on September 30, 1996, the balance was needed, in full or in part, to cover anticipated expenses for future periods. In making these decisions, we considered USAID and Mission guidance for forward funding, activity-specific budgets and spending plans, actual disbursements, progress reports, and interviewed relevant activity managers. In addition to capturing information and making calculations as of September 30, 1996, for USAID-wide projections, we determined whether the unliquidated balances of any obligations reviewed during the audit still had excessive balances at the time of our field work; that is, July 30, 1997. Our analysis was based upon information contained in the Mission Accounting Control System (MACS) reports and discussions and communications with appropriate Mission and USAID/Washington staff.



US AGENCY FOR INTERNATIONAL DEVELOPMENT  
REDSO/WAAC  
ABIDJAN, COTE D'IVOIRE

JAN 1 1998

DATE : 08 JAN 1998

TO : Gerry Custer, Acting RIG/Dakar

FROM : Paul Tuebner, Acting Director, REDSO/WCA *PT*

SUBJ. : Comments on Draft Report re Audit of REDSO/WCA's Review and Certification of Unliquidated Obligations for Project and Non-Project Assistance, Report No. 7-624-98-XXX-P

We have reviewed subject draft audit report dated November 28, 1997, received at REDSO/WCA on December 1, 1997. REDSO/WCA agrees with your findings and has promptly taken action to resolve them. Our comments to the only recommendation (Recommendation No 1) follows:

**Recommendation No.1: We recommend that the Regional Economic Development Support Office for West and Central Africa:**

**1.1 deobligate or justify the retention of \$88,366.07 in unliquidated balances,**

We have liquidated \$72,631.23 of the unliquidated balance of \$88,366.07 since the audit, and are in the process of closing two contracts which will liquidate the final balance of \$15,734.84.

**1.2 assign specific financial oversight responsibilities to a project officer for every project and include these responsibilities in the work objectives of the respective project officers.**

Attached you will find a list of all projects for REDSO/WCA and client missions with the project officers who have been assigned specific financial oversight responsibilities. REDSO/WCA's Executive Office has been requested to issue the list of assigned project officers as a mission order and to ensure that the work objectives for all REDSO/WCA project officers include specific project financial oversight responsibilities.

You will be provided with an update on the status of this recommendation.

## APPENDIX III

## OBLIGATIONS REVIEWED - REDSO/WCA

Item #	Obligation Number	9/30/96 Balance	Excessive for Stat. Smpl.	7/30/97 Balance	Excessive in this Report	Reason/ Recommendation
		Unliquidated		Unliquidated		
1*	CA-624-0434-A-00-3063	\$50,703.34	- 0 -	\$29,870.04	- 0 -	
2*	PA-87-6980434.00	\$87,525.04	- 0 -	\$87,525.04	- 0 -	
3*	CA-624-0434-A-00-3063	\$949,970.77	- 0 -	\$1,964.54	- 0 -	
	CA-624-0434-A-00-3063	\$888,065.21	- 0 -	\$575,595.47	- 0 -	
	CA-624-0434-A-00-3063	\$250,000.00	- 0 -	\$58,880.00	- 0 -	
	CA-624-0434-A-00-3063	\$20,130.00	- 0 -	\$20,130.00	- 0 -	
4	PA-88-6240434.00	\$66,132.76	-	\$66,132.76	- 0 -	
5	PA-89-6240434.00	\$699,066.00	-	\$239,948.00	- 0 -	
6	CA-624-0434-A-00-3063	\$1,325,000.00	-	\$688,184.31	- 0 -	
	CA-624-0434-A-00-3063	\$646,237.75	-	\$292,191.75	- 0 -	
	CA-624-0434-A-00-3063	\$250,000.00	-	\$203,745.34	- 0 -	
	CA-624-0434-A-00-3063	\$106,250.00	-	\$67,713.49	- 0 -	
7*	PA-96-6250975.24-09	\$100,000.00	- 0 -	\$100,000.00	- 0 -	
8	PA-96-6250975.24-09	\$500,000.00	-	\$358,555.00	- 0 -	
9	PA-96-6250975.24	\$599,028.00	-	\$192,888.00	- 0 -	
10*	CO-624-0478-S-00-3108	\$108,835.00	- 0 -	\$108,835.00	- 0 -	No activity since 1993 Deobligate
11	CO-624-0478-S-00-3108	\$116,536.84	-	\$57,516.37	- 0 -	
12*	DPE-5972-A-00-7057-00	\$192.00	\$192.00	\$192.00	\$192.00	
13*	CO-624-0483-C-00-3113	\$110,000.00	- 0 -	\$107,990.42	- 0 -	
14	CO-624-0483-C-00-3113	\$10,942.00	-	\$10,942.00	- 0 -	
15*	CO-624-0483-S-00-6008	\$116,782.40	- 0 -	70,940.68	- 0 -	
16*	CO-624-0483-C-00-5046	\$11,304.00	- 0 -	\$11,304.00	- 0 -	
17*	CO-624-0483-S-00-6005	\$79,813.33	- 0 -	\$67,007.06	- 0 -	
18	CO-624-0483-S-00-6005	\$26,637.67	-	- 0 -	- 0 -	
19	CO-624-0463-S-00-6005	\$50,000.00	-	\$37,086.79	- 0 -	
20	CO-624-0463-S-00-6005	\$50,000.00	-	\$50,000.00	- 0 -	
21*	CO-624-0483-C-00-5055	\$178,376.00	- 0 -	\$56,064.27	- 0 -	
22*	CO-624-0483-C-00-4061	\$15,552.84	\$15,552.84	\$15,552.84	\$15,552.84	Contract Ended, Last Inv. 6/11/96 Deobligate
23*	CO-624-0478-S-00-3041	\$71,826.23	\$71,826.23	\$71,826.23	\$71,826.23	PSC Contract Ended 5/30/96 Deobligate
24	CO-624-5517-S-00-5021	\$12,777.79	-	\$10,643.32	\$10,643.32	PSC Contract Ended 5/30/96 Deobligate
25*	TA-675-94-PJ-086	\$795.00	\$795.00	\$795.00	\$795.00	No activity since 1994 Deobligate
26*	CO-624-0483-S-00-3102	\$53,439.03	- 0 -	\$16,562.31	- 0 -	
27	CO-624-0483-S-00-3102	\$8,826.00	-	\$15,000.00	- 0 -	
28	CO-624-0483-S-00-3102	\$100,000.00	-	\$94,602.04	- 0 -	
	<b>TOTAL</b>	<b>\$7,660,745.00</b>	<b>\$88,366.07</b>	<b>\$3,786,184.07</b>	<b>\$99,009.39</b>	

\* Fifteen obligations comprising the random sample